

Message Text

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PAGE 01 DHAHRA 00543 120910Z

ACTION EB-07

INFO OCT-01 NEA-10 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01

CIAE-00 COME-00 EPG-02 DODE-00 FPC-01 H-01 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06

OES-07 SP-02 SS-15 STR-04 TRSE-00 ACDA-07 PA-01

PRS-01 /102 W

-----120922Z 048664 /14

P R 120813Z MAY 77

FM AMCONSUL DHAHRAN

TO SECSTATE WASHDC PRIORITY 5419

INFO AMEMBASSY ABU DHABI

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBAYFY KUWAIT

AMEMBASSY TEHRAN

AMEMBASSY MANAMA

AMEMBASSY BAGHDAD

C O N F I D E N T I A L DHAHRAN 543

E.O. 11652: GDS

TAGS: ENRG, SA

SUBJECT: SAUDI OIL PRODUCTION

1. DURING BRIEFING BY ARAMCO CHAIRMAN FRANK JUNGERS ON MAY 5 FOR IOWA TRADE MISSION, JUNGERS PULLED ME ASIDE AT ONE POINT AND INFORMED ME THAT ARAMCO PRODUCTION AVERAGED 10.006 MBD DURING THE MONTH OF APRIL 1977. HE ADDED THAT PRODUCTION WAS CONTINUING TO RISE, HOWEVER, AND HAD BEEN RUNNING AT THE RATE OF 10.8 MBD DURING FIRST FEW DAYS OF MAY. ON MAY 10 JUNGERS TOLD ME THAT PRODUCTION HAS BEEN AVERAGING OVER 11 MBD FOR THE PAST FEW DAYS.

2. ACCORDING TO JUNGERS, ARAMCO IS STILL FACING PROBLEMS AS A RESULT OF HIGH WIND CONDITIONS AT RAS TANURA MARINE
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TERMINAL, BUT NEWLY ACQUIRED EQUIPMENT HAS REDUCED THE TERMINAL'S VULNERABILITY SUBSTANTIALY. HE BELIEVES THAT THE COMPANY WILL NEVER AGAIN SEE ITS PRODUCTION CUT AS DRASTICALLY BY WEATHER CONDITIONS AT THE MARINE TERMINAL AS DURING THE FIRST FEW MONTHS OF 1977.

3. JUNGERS ALSO MENTIONED BRIEFLY DURING HBWA MISSION BRIEFING HIS FEAR (WHICH HE ALSO MENTIONED TO JOHN COUNTRY-

MAN, NEA/ARP, DURING HIS RECENT DHAHRAN VISIT) THAT ARAMCO AND SAUDI ARABIA WILL NOT BE ABLE TO INCREASE PRODUCTION AS FAST AS DEMAND IS GROWING. THEREFORE, HE BELIEVES SAUDI ARABIA WILL NOT BE ABLE TO PULL THE "OPEC 11" DOWN TO SAUDI PRICES. MEANWHILE, THE US WILL COME UNDER INCREASINGLY STRONG PRESSURE FROM THE SAUDIS "TO PERFORM" IN THE POLITICAL AREA IN APPRECIATION FOR THE SAUDI EFFORT TO KEEP PRICES DOWN. THE US MIGHT BE BETTER OFF, HE FEELS, TO LET THE SAUDIS KNOW THAT WE HAVE NO OBJECTIONS TO A COMPROMISE PRICE A FEW PERCENT HIGHER THAN THE CURRENT SAUDI/UAE PRICE, THUS RELIEVING THE US OF SOME SAUDI PRESSURE ON US.

4. COMMENT: IT IS DIFFIULT TO KNOW WHETHER JUNGER'S PREFERENCE FOR A COMPROMISE PRICE IS DUE TO THE PRACTICAL DIFFICULTIES ENCOUNTERED BY OIL MARKETERS AS RESULT OF TWO-TIER PRICE SYSTEM, OR WHETHER HIS PREFERENCE COMES FROM HIS LONG EXPERIENCE IN NEGOTIATING WITH SAUDIS AND HIS GENUINE FEELING OF CONCERN THAT THE USG IS GOING TO UNNECESSARILY GET ITSELF IN A BIND AND UNDER HEAVY PRESSURE FROM THE SAG. WE PASS HIS THINKING ALONG FOR WHATEVER IT IS WORTH, HOWEVER, BECAUSE OF HIS POSITION AS CHIEF EXECUTIVE OFFICER OF THE WORLD'S LARGEST PRODUCING OIL COMPANY AND HIS 30-YEARS OF ARAMCO EXPERIENCE IN SAUDI ARABIA.
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